

TARIFF ACTION MEMO

Date: November 29, 2022

Date Filed: November 15, 2022

Statutory End Date: December 30, 2022

File No.: TA513-1

Name of Utility: Alaska Electric Light & Power Company (AEL&P)

Subject: Dual-Fuel Rates Revision

Recommendations:

Staff recommends the Commission:

1. Suspend TA513-1 into Docket No. U-22-078.
2. Approve the dual fuel rate of \$0.1088 per kWh on an interim and refundable basis, effective January 1, 2023.
3. Approve Tariff Sheet Nos. 126 and 146, filed November 15, 2022, by AEL&P with TA513-1, as shown on the attached side-by-side tariff sheets (Appendix 1). The effective date of the tariff sheets should be January 1, 2023.
4. Grant the request by AEL&P to waive the public notice of TA513-1 allowed under 3 AAC 48.280.

Please see attached Staff Memorandum supporting the above recommendations.

Signed: Christina Thibodeaux
Christina Thibodeaux

Title: Utility Tariff Analyst

Commission decision regarding these recommendations:

	<u>Date (if different from 11/29/2022)</u>	<u>I Concur</u>	<u>I Do Not Concur</u>	<u>I Will Write A Dissenting Statement*</u>
Kurber		<u>KKZ</u>		
Doyle		<u>RME</u> for RAD BP		
Pickett		<u>RME</u> BP		
Sullivan		<u>DS</u>		
Wilson		<u>JWW</u> JWW		

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

MEMORANDUM

To: Keith Kurber II, Chairman
Robert A. Doyle
Robert M. Pickett
Daniel A. Sullivan
Janis W. Wilson

Date: November 29, 2022

From: Christina Thibodeaux, Utility Tariff Analyst

Subject: Dual-Fuel Rates Revision

Recommendations

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4. Grant the request by AEL&P to waive the public notice of TA513-1 allowed under 3 AAC 48.280.

Background

On October 15, 1987, AEL&P filed TA176-1 proposing to implement a variable rate schedule for interruptible customers with alternative heating systems to encourage the optimum utilization of interruptible electrical energy from the Snettisham Hydroelectric Project. AEL&P stated that interruptible customers were burning fuel oil at the same time that surplus hydroelectric energy was available. AEL&P proposed that the variable rate would be set at 90% of the estimated equivalent cost of heating with No. 2 fuel oil, and it would be adjusted quarterly. Based on the recommendations of Commission Staff, the Commission suspended TA176-1 and approved the variable rate schedule on an interim basis to allow AEL&P to gain experience with marketing surplus hydropower. The Commission also required AEL&P to refund any revenues from participating customers that exceeded the previously approved cost-of-service for those customers on an ongoing basis through AEL&P's Cost of Power Adjustment (COPA). Finally, the Commission required AEL&P to file a report detailing the advantages and disadvantages of abandoning a cost-based rate structure for interruptible customers in favor of value-of-service pricing with revenue and cost data associated with AEL&P's sales during the interim period.¹

In its report to the Commission, AEL&P included eight advantages of the proposed variable rate structure. Based on the Commission's review of AEL&P's report, the

¹ See Order No. U-87-057(1), issued August 5, 1987. Staff notes that the Commission issued Order No. U-87-057(2) on December 2, 1987, granting AEL&P's request to extend the deadline for submission of the report.

Commission approved TA176-1 on a permanent basis.² As a result, AEL&P's Rate Schedule Nos. 25 (Tariff Sheet Nos. 122 – 127) and 95 (Tariff Sheet Nos. 142 – 148) were established for interruptible, dual-fuel service rates for space heating. Rate Schedule No. 25 is available to large commercial customers and Schedule No. 95 is available to residential and small commercial customers. Both Rate Schedule Nos. 25 and 95 are subject to quarterly adjustments in order to remain competitive with the average price of No. 2 fuel oil.³ The current rates can be found on Tariff Sheet Nos. 126 and 146 for Schedule Nos. 25 and 95, respectively.

Staff reviewed the advantages AEL&P listed in its report to the Commission and believes the most relevant of the eight original advantages listed are (1) to sell surplus hydroelectric power that would otherwise be lost by spillage from reservoirs, (2) to conserve electricity during hydroelectric shortages when marginal loads are met with more expensive diesel generation, and (3) allowing AEL&P customers to save money on their energy bills.⁴

Filing

AEL&P now submits its quarterly update to its dual-fuel rates for the period beginning January 1, 2023. With TA513-1, AEL&P filed Tariff Sheet Nos. 126 and 146 and requested an effective date of January 1, 2023.

The calculation for the rate for interruptible energy depends on whether or not the price of fuel oil exceeds \$1.50 per gallon. When the price of fuel oil is below \$1.50 per gallon, the rate is set at 90% of the equivalent price of No. 2 fuel oil.⁵ In the event that the price of fuel oil exceeds \$1.50 per gallon, the following formula is used to calculate the price of interruptible energy:⁶

$$\text{Cents per kWh} = 3.18 * \$ \text{ per gallon of No. 2 Fuel Oil}$$

Each quarter AEL&P submits documentation to support the average price of fuel oil for the preceding quarter, as well as updated tariff sheets showing the rate per kWh.⁷ This support includes invoices to document the average price of fuel oil purchased by both the State of Alaska in Juneau and the City and Borough of Juneau.

Staff reviewed the documentation submitted by AEL&P and believes it supports the average price of fuel oil purchased by both the State of Alaska (for its Juneau offices) and the City and Borough of Juneau for the period of July 16, 2022, through October 15, 2022.

² See Order No. U-87-057(3), issued April 13, 1988, at page 4.

³ See Tariff Sheet Nos. 123 and 143, effective October 1, 2011.

⁴ See Order No. U-87-057(3), issued April 13, 1988, at page 3.

⁵ See Tariff Sheet Nos. 123 and 143, effective October 1, 2011. Staff notes that Tariff Sheet Nos. 124, 125, 144, and 145 display the retail rate equivalent to cost per gallon using the factors described in AEL&P's methodology.

⁶ See Tariff Sheet Nos. 126 and 146, effective November 1, 2022, at Section 7.

⁷ See tariff advice letter for TA513-1, at page 1.

Staff notes that the price of fuel oil currently exceeds \$1.50 per gallon; therefore, the aforementioned formula is used to calculate the rates.

Notice

AEL&P requested that the Commission use its discretion under 3 AAC 48.280 and waive the public noticing of TA513-1.⁸

3 AAC 48.280 provides that the Commission may prescribe, on a case-by-case basis, one or more appropriate additional means by which a tariff filing must be noticed to the public, including publication in one or more newspaper publications. AEL&P established its variable fuel rate schedule on August 5, 1987.⁹ Revisions to AEL&P's variable fuel rate filings have historically not been noticed to the public. This type of filing is made on a quarterly basis and is similar to COPA filings, which are not noticed by the Commission.

Under 3 AAC 52.504(d), if "an electric utility seeks, outside of a general rate case, a change to its COPA methodology, a change to a COPA cost element, or a change to its COPA that the Commission considers to be of significant interest to the public, the Commission will require notice to the public in a form that the Commission considers sufficient for the particular changes proposed." Otherwise, routine quarterly filings made under 3 AAC 52.504 have not been noticed. This contingency on the issuance of a public notice has historically been applied to AEL&P's variable fuel rate filings. If AEL&P proposes a new component to the variable fuel rate methodology, a new cost element, or any change the Commission considers significant, the Commission requires the filing to be noticed to the public.

TA513-1 does not include any change to AEL&P's variable fuel rate methodology or propose a new cost element; therefore, Staff recommends that the Commission grant AEL&P's request to waive publication notice for TA513-1.

Discussion/Analysis

Schedule No. 25 Rate

The rate for large commercial customers under Schedule No. 25 is based on the average price of heating oil purchased during the previous quarter by the City and Borough of Juneau, unless the purchased price of No. 2 fuel oil by the State of Alaska (for its Juneau offices) is lower. In the event that the State of Alaska's (for its Juneau offices) price of fuel is lower, the lowest price of fuel will be used to calculate the rate. In no case will the Schedule No. 25 rate be lower than 1.41 cents per kWh.¹⁰

With TA513-1, the City and Borough of Juneau's average price of fuel is \$4.22 per gallon, and the average price of fuel for the State of Alaska's Juneau offices is \$4.19 per gallon.¹¹ Therefore, the lower price of fuel of \$4.19 per gallon was used to calculate the rate. The

⁸ *Ibid.*

⁹ See Order No. U-87-057(1), issued August 5, 1987.

¹⁰ See Tariff Sheet No. 123, effective October 1, 2011.

¹¹ See tariff advice letter for TA513-1, at page 7.

rate per kWh for Schedule No. 25 remained 10.88 cents per kWh,¹² as a result of the rate cap.

Schedule No. 95 Rate

The rate for residential and small commercial customers under Schedule No. 95 is based on the average price of No. 2 fuel oil paid by the State of Alaska's Juneau offices during the previous quarter. In no case will Schedule No. 95 rate be lower than 1.41 cents per kWh.¹³

The rate per kWh for Schedule No. 95 remained 10.88 cents per kWh,¹⁴ as a result of the rate cap.

Dual Fuel Rate Cap

According to AEL&P's tariff, the rates under Schedule Nos. 25 and 95 will be capped if the rates exceed 90% of the corresponding seasonal general residential rate energy charge per kWh or 10.88 cents per kWh during peak season (November 1 – May 31)¹⁵ and 8.95 cents per kWh during off-peak season (June 1 – October 31).¹⁶

Staff calculated the rates for Schedules 25 and 95 to be 13.42 cents/kWh and 13.32 cents/kWh; however, as calculated, the rates are greater than the capped rate of 10.88 cents/kWh for peak season. Therefore, the cap of 10.88 cents/kWh will apply to the Schedule 25 and Schedule 95 rates for the period beginning January 1, 2023.

Availability of Surplus Power

When surplus power is not available, customers receiving electric service under Schedule Nos. 25 and 95 are interrupted. In the event that a customer utilizes interruptible energy when it is considered not to be available, it will be provided at the penalty rate. The penalty rate is equal to 1.5 times the Schedule No. 10 Peak Season kWh Energy Charge plus the COPA.¹⁷ Customers who choose not to be interrupted forfeit the service location's ability to participate in the dual fuel program from that time forward unless a true emergency occurs and the customer needs their electric heat.¹⁸ According to AEL&P, the company anticipates that surplus energy will be available for sales to dual fuel customers for the period this filing will be in effect.¹⁹

¹² See side by side Tariff Sheet No. 126, attached as Appendix 1, at section 9.

¹³ See Tariff Sheet No. 143, effective October 1, 2011.

¹⁴ See side by side Tariff Sheet No. 146, attached as Appendix 1, at section 9.

¹⁵ General residential rate from Schedule No. 10 Peak Season is 12.09 cents per kWh. $12.09 * 90\% = 10.88$ cents per kWh.

¹⁶ General residential rate from Schedule No. 10 Off-Peak is 9.94 cents per kWh. $9.94 * 90\% = 8.95$ cents per kWh.

¹⁷ See AEL&P Tariff Sheet Nos. 126 and 146, effective July 1, 2022.

¹⁸ *Ibid.*

¹⁹ See tariff advice letter for TA513-1, at page 2.

Tariff Sheets

Staff reviewed Tariff Sheet Nos. 126 and 146. Staff has verified the proposed rates were calculated accurately using AEL&P's approved methodology, the proper support was filed, and the tariff sheets are correct.

Suspension into U-22-078

On August 30, 2022, the Commission issued Order No. U-22-078(1), suspending AEL&P's revenue requirement study for further investigation and approving rates on an interim and refundable basis, effective September 2, 2022. As stated above, the dual fuel rates are capped if the calculated dual fuel rate exceeds 90% of the corresponding seasonal general residential energy rate per kWh. Prior to the interim rate increase, the peak season cap was 10.41 cents per kWh and the off-peak season cap was 8.56 cents per kWh.²⁰ With the interim rate increase the peak season cap is 10.88 cents per kWh and the off-peak season cap is 8.95 cents per kWh. Should the Commission approve rates lower than those approved on an interim and refundable basis, the dual fuel rates at the rate cap will have been over-collected. To protect the dual fuel customers from potential over-collection, Staff recommends the Commission suspend TA513-1 into Docket No. U-22-078 and approve the dual fuel rates proposed in the instant filing on an interim and refundable basis.

Conclusion

With TA513-1, AEL&P requests approval of its quarterly update for its dual-fuel rates on Schedule Nos. 25 and 95 for the period beginning January 1, 2023, and requests that the Commission use its discretion under 3 AAC 48.280 and not require public notification of the tariff advice filing. Based on the discussion above, Staff recommends the Commission:

1. Suspend TA513-1 into Docket No. U-22-078.
2. Approve the dual fuel rate of \$0.1088 per kWh on an interim and refundable basis, effective January 1, 2023.
3. Approve Tariff Sheet Nos. 126 and 146, filed November 15, 2022, by AEL&P in TA513-1. The effective date of the tariff sheets should be January 1, 2023.
4. Grant the request by AEL&P to waive the public notice of TA513-1 allowed under 3 AAC 48.280.

Signature: 
Keith Kurber II (Nov 29, 2022 10:25 AKST)

Email: keith.kurber@alaska.gov

Signature: 

Email: bob.pickett@alaska.gov

Signature: 
Daniel Sullivan (Nov 29, 2022 12:41 AKST)

Email: daniel.sullivan@alaska.gov

Signature: 
Janis W. Wilson (Nov 29, 2022 12:45 AKST)

Email: janis.wilson@alaska.gov

²⁰ See Staff Memo for TA508-1, at page 5.

RCA No. 1

151st

Sheet No. 126

Canceling

150th

Sheet No. 126

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STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

Alaska Electric Light and Power Company

Regulatory Commission
of Alaska

Schedule No. 25 (Continued)
Large Commercial - Interruptible Electric Heat

Rate (Continued):

7. In the event the price of fuel oil exceeds \$1.50 per gallon, the price of interruptible energy will be computed as follows:
Cents/KWH = 3.18 X \$/gallon of No. 2 Fuel Oil
8. In the event the customer must utilize interruptible energy when it is considered not to be available it will be provided at the penalty rate.
9. The rate charged will be 10.88 cents per KWH for billings rendered on and after November 1, 2022. **I**
T

Penalty Rate:

The penalty rate will be equal to 1.5 times the Schedule 10 Peak Season KWH energy charge plus Cost of Power Adjustment.

Penalty rates will be in effect when the Company's equipment has operated to provide a switching signal to switch off the customer's controlled service loads during winter peak seasons, hydro shortages or emergencies.

If the customer location chooses not to be interrupted they will forfeit the service locations ability to participate from that time forward, unless a true emergency occurs and the customer needs their electric heat. During this period the customer will pay the penalty rate until repairs are completed.

Control Criteria:

Electrical loads are subject to interruption as deemed necessary by the Company. Typical conditions could include peak loading, hydro shortages or other emergencies.

Equipment Supplied:

AELP will supply the necessary metering and control equipment. Wiring by the customer shall be such that the meter and associated controlling devices are separate and located adjacent to each other.

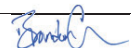
Pursuant to U-22-078(4)

Tariff Advice No. 511-1 Effective November 1, 2022

Issued by

Alaska Electric Light and Power Company

By



Title Chief Financial Officer

RCA No. 1

152nd

Sheet No. 126

Canceling

151st

Sheet No. 126



Alaska Electric Light and Power Company

Regulatory Commission
of Alaska

Schedule No. 25 (Continued)
Large Commercial - Interruptible Electric Heat

Rate (Continued):

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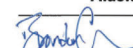
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Tariff Advice No. 513-1 Effective January 1, 2023

Issued by

Alaska Electric Light and Power Company

By



Title Chief Financial Officer

RCA No. 1

151st Sheet No. 146

Canceling

150th Sheet No. 146

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REGULATORY COMMISSION OF ALASKARegulatory Commission
of Alaska

Alaska Electric Light and Power Company

Schedule No. 95 (Continued)
Controlled Service Interruptible Load
Less than 100 KW Capacity

Rate (Continued):

7. In the event the price of fuel oil exceeds \$1.50 per gallon, the price of interruptible energy will be computed as follows:
- Cents/KWH = $3.18 \times \text{\$/gallon of No. 2 Fuel Oil}$
8. In the event the customer must utilize interruptible energy when it is considered not to be available it will be provided at the penalty rate.
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Control Criteria:

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Equipment Supplied:

AELP will supply the necessary metering and control equipment. Wiring by the customer shall be such that the meter and associated controlling devices are separate and located adjacent to each other.

Pursuant to U-22-078(4)

Tariff Advice No. 511-1

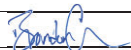
Effective

November 1, 2022

Issued by

Alaska Electric Light and Power Company

By



Title

Chief Financial Officer

RCA No. 1

152nd Sheet No. 146

Canceling

151st Sheet No. 146

Regulatory Commission
of Alaska

Alaska Electric Light and Power Company

Schedule No. 95 (Continued)
Controlled Service Interruptible Load
Less than 100 KW Capacity

Rate (Continued):

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Tariff Advice No. 513-1

Effective

January 1, 2023

Issued by

Alaska Electric Light and Power Company

By



Title

Chief Financial Officer